

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Diego Gas & Electric Company (U902M) for Authority to Renew its Short-Term Borrowing Authorization to an Aggregate Amount not to Exceed \$400,000,000 in Addition to that Amount Otherwise Authorized by Public Utilities Code Section 823(c).

Application 15-04-010
(Filed April 6, 2015)

**DECISION AUTHORIZING SAN DIEGO GAS & ELECTRIC COMPANY
TO ISSUE \$400 MILLION OF SHORT-TERM DEBT**

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**DECISION AUTHORIZING SAN DIEGO GAS & ELECTRIC COMPANY
TO ISSUE \$400 MILLION OF SHORT-TERM DEBT**

1. Summary

This decision authorizes San Diego Gas & Electric Company (SDG&E) to issue \$400 million of short-term debt pursuant to Public Utilities Code Section (Pub. Util. Code §) 816 et seq. The short-term debt authorized by today's decision is in addition to the short-term debt that SDG&E may issue without Commission approval pursuant to Pub. Util. Code § 823(c).

SDG&E may use the short-term debt authorized by today's decision only for utility-related purposes. Such purposes include bridge financing for capital projects; financing undercollections in SDG&E's balancing accounts; and satisfying other utility-related cash needs that may arise. These purposes are integral to SDG&E's responsibility under Pub. Util. Code § 451 to "furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities...as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public."

The authority granted by today's decision will become effective when SDG&E pays a fee of \$206,000 pursuant to Pub. Util. Code § 1904, and will expire on December 31, 2019.

2. Procedural Background

San Diego Gas & Electric Company (SDG&E) filed Application (A.) 15-04-010 on April 6, 2015. Notice of A.15-04-010 appeared in the Commission's Daily Calendar on April 16, 2015. There were no protests or responses.

In Resolution ALJ 176-3356, dated May 7, 2015, the Commission preliminarily determined that the category for this proceeding is ratesetting and

that a hearing is not needed. There was no prehearing conference as allowed by Rule 7.2(b) of the Commission's Rules of Practice and Procedure (Rules), and no scoping memo was issued as permitted by Rule 7.3(b).

The record of this proceeding consists for the following material:

- Application 15-04-010, including the information, schedules, and appendices contained in the application.
- The response filed by SDG&E on June 12, 2015, pursuant to a ruling issued by the assigned Administrative Law Judge (ALJ) on May 28, 2015. The response provided relevant documents and information specified in the ALJ ruling. The contents of the response were verified in accordance with Rule 1.1.
- SDG&E's prepared direct testimony that was admitted into the record by an ALJ ruling issued on July 2, 2015, pursuant to Rule 13.8(c).

3. Existing Authority to Issue Short-Term Debt

SDG&E's existing authority to issue short-term debt¹ is provided by Decision (D.) 11-12-033 and Pub. Util. Code § 823(c). Decision 11-12-033 authorized SDG&E to issue \$400 million of short-term debt through December 31, 2015. The short-term debt authorized by D.11-12-033 is in addition to the short-term debt that SDG&E may issue without Commission approval pursuant to Pub. Util. Code § 823(c), which states as follows:

Notwithstanding the provisions of [§ 823(b)], no public utility... shall, without the consent of the commission, issue notes payable at periods of not more than 12 months after the date of issuance of the notes if such notes and all other notes payable at periods of not more than 12 months

¹ For the purpose of today's decision, "short-term debt" is defined as debt that has a maturity of less than one year at the time of issuance.

after the date of issuance... would exceed in aggregate amount five percent of the par value of the other securities then outstanding. In the case of securities having no par value, the par value for the purposes of this subsection shall be the fair market value as of the date of issue.

SDG&E represents that as of March 31, 2015, it had authority to issue \$265 million of short-term debt pursuant to Pub. Util. Code § 823(c) without approval from the Commission. Thus, the sum of SDG&E's existing authority to issue short-term debt is \$665 million (\$400 million + \$265 million).

SDG&E had the following amount of short-term debt outstanding at the end of each quarter during the period of January 2012 through March 2015:

Short-Term Debt Outstanding \$ Million				
Year	March 31	June 30	Sept. 30	Dec. 31
2012	\$0	\$173	\$2	\$0
2013	\$0	\$53	\$0	\$59
2014	\$90	\$127	\$0	\$246
2015	\$0	n/a	n/a	n/a

The short-term debt shown in the above table was issued pursuant to Pub. Util. Code § 823(c), except in 2014 when a relatively small amount was issued pursuant to D.11-12-033.

4. Summary of Application 15-04-010

4.1. Requested Authorizations and Findings

In A.15-04-010, SDG&E asks the Commission to issue a decision pursuant to Pub. Util. Code § § 701, 702, and 816 - 830 that does the following:

1. Authorizes SDG&E to issue up to \$400 million of short-term debt anytime through December 31, 2019, in addition to SDG&E's authority to issue short-term debt pursuant to § 823(c).

2. Determines that SDG&E is required to pay a fee of \$206,000 pursuant to Pub. Util. Code § 1904(b) for authority to issue \$400 million of short-term debt.

4.2. Use of Proceeds

SDG&E requests authority to use \$400 million of short-term debt for temporary cash needs that may arise from time to time. Such uses may include (1) bridge financing for capital expenditures; (2) pay off maturing long-term debt; (3) finance undercollections in SDG&E's balancing accounts; (4) finance SDG&E's nuclear fuel inventory; and (5) fund commodity hedge programs.

SDG&E states that while it does not have a forecasted need to issue \$400 million of short-term debt over the next five years,² SDG&E does have large cash expenditures that must be funded. For example, SDG&E's balancing accounts had a net under collection of \$425 million as of March 2015, and SDG&E's margin calls for commodity hedges have exceeded \$40 million since December 1, 2014. Looking forward, SDG&E expects its annual capital expenditures to average over \$1.1 billion during the 2015 – 2019 time period. Additionally, the San Onofre Nuclear Generating Station Settlement authorizes a short-term rate-of-return for SDG&E's nuclear fuel inventory of \$87 million.

SDG&E explains that possessing authority to issue \$400 million of short-term debt will enable SDG&E to finance utility operations and capital expenditures across a range of scenarios. These scenarios include cyclical fluctuations in seasonal cash flows; sudden spikes in costs to procure electricity or natural gas like the California energy crisis of 2001; an inability to obtain

² Exhibit SDG&E-1, Schedules II, III, and VIII.

long-term capital at reasonable terms and conditions like the financial crisis of 2008; and regulatory lags in recovering costs in rates.

5. Discussion

5.1. Authority to Issue Short-Term Debt

SDG&E's application for authority to issue \$400 million of short-term debt is subject to Pub. Util. Code §§ 816, 819, 823, and 824, which state as follows:

§ 816: The power of public utilities to issue stocks or... bonds, notes, and other evidences of indebtedness... is a special privilege, the right of supervision, regulation, restriction, and control of which is vested in the State, and such power shall be exercised as provided by law under such rules as the commission prescribes.

§ 819: The commission may by its order grant permission for the issue of such stocks or... bonds, notes, or other evidences of indebtedness in the amount applied for, or in a lesser amount, or refuse such permission, or grant it subject to such conditions as it deems reasonable and necessary....

§ 823(a): No public utility shall, without the consent of the commission, apply any part of the issue of any stock or... bond, note, or other evidence of indebtedness, or any proceeds thereof, to any purpose not specified in the commission's order, or to any purpose specified in the order in excess of the amount authorized for such purpose, or issue or dispose thereof on any terms less favorable than those specified in the order....

(b) A public utility may issue notes, for proper purposes and not in violation of any provision of law, payable at periods of not more than 12 months after the date of issuance of the notes without the consent of the commission.

(c) Notwithstanding the provisions of subdivision (b), no public utility... shall, without the consent of the commission, issue notes payable at periods of not more than 12 months after the date of issuance of the notes if such notes and all other notes payable at periods of not

more than 12 months after the date of issuance of such notes... would exceed in aggregate amount 5 percent of the par value of the other securities then outstanding. In the case of securities having no par value, the par value for... this subsection shall be the fair market value as of the date of issue.

(d) No note payable at a period of not more than 12 months after the date of issuance of such note shall, in whole or in part, be refunded by any issue of stocks... or bonds, notes of any term or character, or any other evidence of indebtedness, without the consent of the commission.

§ 824: The commission may require public utilities to account for the disposition of the proceeds of all sales of stocks... and bonds, notes, and other evidences of indebtedness, in such form and detail as it deems advisable... to insure the disposition of such proceeds for the purposes specified in its order.

The above-cited provisions in the Public Utilities Code provide the Commission with broad discretion to (1) determine if a utility should be authorized to issue short-term debt in excess of the amount authorized by Pub. Util. Code § 823(c), and (2) attach conditions to the issuance of short-term debt in order to protect and promote the public interest.

We find that it is reasonable to grant SDG&E's request for authority to issue \$400 million of short-term debt in excess of the amount authorized by Pub. Util. Code § 823(c). SDG&E has large, ongoing cash expenditures that must be funded at all times so that SDG&E can provide essential utility services to the public.³ The \$400 million of short-term debt authorized by today's decision will help ensure that SDG&E can fund utility cash expenditures without interruption.

³ For the first nine months of 2014, SDG&E had operating revenues of \$3.9 billion and operating expenses for \$3.4 billion. (A.15-04-010, Appendix B.) SDG&E's net utility plant as of

Footnote continued on next page

SDG&E shall use the short-term debt authorized by today's decision only for utility-related purposes. Such purposes include temporary financing for capital expenditures, balancing account undercollections, margin calls on commodity hedges, and nuclear fuel inventory. SDG&E shall not use the short-term debt authorized by today's decision to fund dividends, provide loans or cash to affiliates, or pay management fees to its parent company or other affiliates. Consistent with Pub. Util. Code § 824, SDG&E shall maintain records that (1) identify the specific short-term debt issued pursuant to today's decision, and (2) demonstrate that the proceeds from such debt have been used only for the purposes authorized by today's decision.

Today's decision replaces SDG&E's authority to issue short-term debt pursuant to D.11-12-033. SDG&E's authority to issue short-term debt pursuant to today's decision shall expire on December 31, 2019.

5.2. Other Regulatory Requirements

5.2.1. General Order 24-C

General Order (GO) 24-C requires public utilities that issue debt or equity to file a semiannual report with the Commission that includes the following information for the applicable semiannual period:

1. A description of the debt and equity issued during the semiannual period, if any, including the principal amount of each issuance, the commissions paid for each issuance, and the net proceeds received for each issuance.

September 30, 2014, was \$10.3 billion. (Ibid.) SDG&E forecasts that its annual construction budget will exceed \$1 billion during the three-year period of 2015 – 2017. (Exhibit SDG&E-1, at 1.)

2. The total amount of stock issued and outstanding at the end of the semiannual period, including the total number of shares issued and the par value, if any, of such shares.
3. The total bonds and other debt issued and outstanding at the end of the semiannual period, including the principal amount of such bonds and other debt.
4. The expenditures of debt and equity proceeds during the semiannual period and the purposes for which these expenditures were made. Expenditures must be reported in a way that allows the Commission to ascertain the utility's compliance with Pub. Util. Code § 817 and the related authorizing decision.

In addition to the previously enumerated reporting requirements, GO 24-C requires utilities to maintain records which demonstrate that the proceeds from the issuance of debt and equity have been used in a manner authorized by the related authorizing decision. Utilities must make the records available to Commission staff upon written request.

5.2.2. Ratemaking

Today's decision does not approve (1) the rates, terms, and conditions for the short-term debt authorized by today's decision; or (2) the costs, expenditures, and capital projects that may be financed with the authorized short-term debt. The Commission will review these matters in general rate case proceedings, capital project-specific proceedings, or other proceedings. Based on these reviews, the Commission will determine whether the cost of the short-term debt (e.g., interest paid on the debt), and the costs, expenditures, and capital projects that are financed with such debt, are reasonable and may be recovered in rates.

5.2.3. Fee Required by Pub. Util. Code § 1904

Pub. Util. Code § 1904(b) requires utilities to pay a fee for authority to issue debt. The fee that SDG&E must pay for the \$400 million of short-term debt authorized by today's decision is shown in the following table:

§ 1904(b) Fee for \$400,000,000 of Short-Term Debt		
Amount	Rate	Fee
\$1,000,000	\$2 per \$1,000	\$2,000
\$9,000,000	\$1 per \$1,000	\$9,000
\$390,000,000	\$0.50 per \$1,000	\$195,000
\$Total Fee:		\$206,000

SDG&E shall pay the § 1904(b) fee shown in the above table no later than 30 days from the effective date of this decision. The authority granted by this decision will become effective upon the payment of the § 1904(b) fee.

6. California Environmental Quality Act

The California Environmental Quality Act (CEQA) applies to projects that (1) may cause a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and (2) require discretionary approval from a governmental agency, unless exempted by statute or regulation.⁴ A project is exempt from CEQA when it can be seen with certainty that the activity in question will not have a significant effect on the environment.⁵ The Commission is the lead agency under CEQA with respect to

⁴ California Public Resources (Cal. Pub. Res.) Code § 21067.

⁵ CEQA Guidelines, Title 14 of the California Code of Regulations, Division 6, Chapter 3, Article 20, Section 15061(b)(3). (Hereafter, "CEQA Guidelines".)

A.15-04-010 and, therefore, must determine if the short-term debt requested in A.15-04-010 is exempt from CEQA.⁶

Today's decision does not authorize any capital expenditures, construction projects, or any other activities that might have an effect on the environment. Therefore, it can be seen with certainty that the \$400 million of short-term debt authorized by today's decision will not have a significant effect on the environment. Accordingly, the authorized short-term debt is exempt from CEQA. To ensure compliance with CEQA, SDG&E shall not use the proceeds from the authorized short-term debt to fund any project until the required CEQA review and approval for the project, if any, has been completed.

7. Categorization and Need for Hearings

In Resolution ALJ 176-3356, dated May 7, 2015, the Commission preliminarily determined that the category for this proceeding is ratesetting and that a hearing is not needed. There were no protests or responses to A.15-04-010. Based on the record of this proceeding, we affirm that the category for this proceeding is ratesetting and that a hearing is not needed.

8. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Therefore, the otherwise applicable 30-day period for public review and comment is waived pursuant to Pub. Util. Code § 311(g)(2) and Rule 14.6(c)(2) of the Commission's Rules.

⁶ Cal. Pub. Res. Code §§ 21065 and 21080(a), and CEQA Guidelines Section 15061(a).

9. Assignment of the Proceeding

Michel Peter Florio is the assigned Commissioner for this proceeding and Timothy Kenney is the assigned Administrative Law Judge.

Findings of Fact

1. SDG&E's authority under D.11-12-033 to issue \$400 million of short-term debt in excess of the amount authorized by Pub. Util. Code § 823(c) expires on December 31, 2015.

2. In A.15-04-010, SDG&E requests authority pursuant to Pub. Util. Code §§ 701, 702, and 816-830 to issue \$400 million of short-term debt through December 31, 2019, to finance capital expenditures, nuclear fuel inventory, commodity hedges, maturing long-term debt, and other utility-related cash needs that may arise from time to time.

3. SDG&E is continuously making large cash expenditures for utility-related operations and capital projects. It is foreseeable that SDG&E may have a need to issue \$400 million of short-term debt in excess of the amount authorized by Pub. Util. Code § 823(c) for the purposes identified in Finding of Fact 2.

4. The \$400 million of short-term debt authorized by today's decision will not have a significant effect on the environment.

5. In Resolution ALJ 176-3356, dated May 7, 2015, the Commission preliminarily determined that the category for this proceeding is ratesetting and that a hearing is not necessary in this proceeding.

6. There were no protests or responses to A.15-04-010.

7. There are no contested factual issues in this proceeding.

Conclusions of Law

1. It is in the public interest to grant SDG&E authority under Pub. Util. Code §§ 816 et seq., to issue \$400 million of short-term debt through December 31, 2019, for utility-related purposes.

2. The authority granted by this decision to issue \$400 million of short-term debt is in addition to SDG&E's authority to issue short-term debt pursuant to Pub. Util. Code § 823(c).

3. GO 24-C applies to SDG&E and the short-term debt authorized by this decision.

4. This decision should not approve (i) rates, terms, and conditions for the short-term debt authorized by this decision; or (ii) costs, expenditures, or capital projects that may be financed with short-term debt authorized by this decision.

5. The Commission may determine in future proceedings (i) whether the rates, terms, and conditions of the short-term debt authorized by this decision are reasonable; (ii) whether the cost of the short-term debt (e.g., interest paid on the debt) may be recovered in rates; and (iii) whether the utility-related costs, expenditures, and capital projects that are financed with the short-term debt are reasonable and may be recovered in rates.

6. SDG&E is required by Pub. Util. Code § 1904(b) to pay a fee of \$206,000 for the short-term debt authorized by this decision. The authority granted by this decision should not become effective until SDG&E has paid the fee.

7. The Commission is the lead agency under CEQA for A.15-04-010.

8. The short-term debt authorized by this decision is exempt from CEQA.

9. SDG&E should not use the short-term debt authorized by this decision to finance a project until SDG&E has obtained any required environmental review and approval for the project under CEQA.

10. The preliminary determinations in Resolution ALJ 176-3356 that the category for this proceeding is ratesetting and that a hearing is not necessary should be affirmed and finalized.

11. The following order should be effective immediately so that SDG&E may issue the short-term debt authorized by the order.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E) is authorized to issue \$400 million of short-term debt pursuant to Public Utilities Code (Pub. Util. Code) Section 816 et seq. SDG&E shall use the authorized short-term debt only for utility-related purposes. The \$400 million of short-term debt authorized by this order is in addition to the short-term debt that SDG&E may issue pursuant to Pub. Util. Code § 823(c).

2. The short-term debt authorized by this order may be issued at any time, in any increments, not to exceed a total amount of \$400 million issued and outstanding at any one time.

3. San Diego Gas & Electric Company's authority to issue short-term debt pursuant to this order shall expire on December 31, 2019.

4. This order replaces San Diego Gas & Electric Company's authority to issue short-term debt pursuant to Decision 11-12-033.

5. San Diego Gas & Electric Company shall not use the short-term debt authorized by this order to fund dividends, make inter-corporate loans and cash transfers, or pay management fees to its parent company or other affiliates.

6. This order does not approve (i) any rates, terms, and conditions for the short-term debt authorized by this order; or (ii) any utility-related costs, expenditures, or capital projects that may be financed with the short-term debt authorized by this order.

7. Within 30 days from the effective date of this order, San Diego Gas & Electric Company (SDG&E) shall remit a check for \$206,000 pursuant to Public Utilities Code Section 1904 to the Commission's Fiscal Office, Room 3000, 505 Van Ness Avenue, San Francisco, CA 94102. The decision number of this order must appear on the face of the check. The authority granted by this order shall become effective when SDG&E pays the fee required by Section 1904.

8. San Diego Gas & Electric Company (SDG&E) may not use the proceeds from the short-term debt authorized by this order to finance a project until SDG&E has obtained any required review and approval of the project under the California Environmental Quality Act.

9. The preliminary determinations in Resolution ALJ 176-3356 that the category for this proceeding is ratesetting and that a hearing is not necessary are affirmed and finalized.

10. Application 15-04-010 is closed.

This order is effective today.

Dated _____, 2015, at San Francisco, California.